GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA

UNSTARRED QUESTION NO:588
ANSWERED ON:03.03.2008
EXPORT OF COMPUTER SOFTWARE
Saradgi Shri Iqbal Ahmed

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

:-

(a) whether Karnataka has contributed the most to the country`s exports of computer software and services during the year 2006- 07 with the southern region iteself accounting for 61.23% of the total export earnings;

(b) if so, whether Karnataka continues to be on the top in terms of its contribution to the total exports at 33.36% during the year 2006-07 though there is a drop in its share from 36.67% in the previous fiscal year;

(c) if so, the details thereof;

(d) the amount of assistance being provided by the Government in this regard; and

(e) the steps taken/being taken by the Government to improve the software exports in the country particularly in Karnataka?

Answer

MINISTER OF STATE FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY(DR. SHAKEEL AHMAD)

(a): Yes, Sir. As per Software technology Parks of India (STPI) the software exports from STP units in Karnataka (registered with STPI, Bangalore) is around Rs. 48700 Crores, during 2006-07. Exports from STP Units of Southern region consisting of Tamilnadu, Karnataka, Kerala and Andhra Pradesh accounted for 61.59% of total export during 2006-07.

(b) and (c): Yes, Sir. The IT exports reported from STP units in Karnataka registered with STPI-Bangalore during 2005-06 was Rs. 37600 Crores contributing around 35% of exports from the country and during 2006-07 it was Rs. 48700 Crores contributing around 38% of exports from the country.

(d) and (e): Steps taken by the Government to promote the IT sector is placed at Annexure.

Annexure

Steps taken by the Government to promote the IT Sector

1. Approvals for all foreign direct investment proposals relating to the Information Technology Sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.

2. Peak rate of customs duty has been reduced to 10%. Customs duty on ITA-1 items (217 items) has been abolished from 1.3.2005. All goods required in the manufacture of ITA-1 items have been exempted from customs duty subject to Actual user condition. Information Technology (IT) Software is exempted from Customs duty.

3. Excise duty on computers is 12%. Microprocessors, Hard Disc Drives, Floppy Disc Drives, CD ROM Drives, DVD Drives/DVD writers, Flash Memory and Combo-Drives have been exempted from excise duty.

4. Supplies of Information Technology Agreement (ITA-1) items and notified zero duty telecom/electronic items in the Domestic Tariff Area (DTA) by Electronics Hardware Technology Park (EHTP)/Export Oriented Unit (EOU)/ Special Economic Zone (SEZ) units are counted for the purpose of fulfillment of positive Net Foreign Exchange Earnings (NFE).

5. Special Economic Zones (SEZs) are being set up to enable hassle free manufacturing and trading for export purposes. Sales from Domestic Tariff Area (DTA) to SEZs are being treated as physical export. This entitles domestic suppliers to Drawback/ DEPB benefits, CST exemption and Service Tax exemption. 100% Income Tax exemption on export profits is available to SEZ units for 5 years, 50% for next 5 years and 50% of ploughed back profits for 5 years thereafter.

6. Export Promotion Capital Goods scheme (EPCG) allows import of capital goods on payment of 5% customs duty. The export obligation under EPCG Scheme can also be fulfilled by the supply of Information Technology Agreement (ITA-1) items to the DTA provided the realization is in free foreign exchange.

7 100% depreciation is available to computers and computer peripherals over a period of 5 years for units under EOU/STP/SEZ

schemes.

8. Second hand capital goods are freely importable.

9. Weighted deduction of 150% of expenditure incurred on in house R&D in case of a company engaged in the business of electronic equipment, computers and telecommunication equipment is available under clause (1) of sub-section (2AB) of Section 35 of the Income Tax Act.

10. Income by way of dividends or long-term capital gains of a Venture Capital Fund (VCF) or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

11. Information Technology Act 2000 dealing with Cyber Security, Cyber Crime and other information security related legal aspects is in place to encourage expansion of e-commerce through Internet.

12. Special Incentive Package Scheme (SIPS): A Special Incentive Package Scheme (SIPS) to encourage investments for setting up Semiconductor Fabrication and other micro and nano technology manufacture industries in India, has been announced by the Government vide Gazette Notification dated 21st March, 2007. An Appraisal Committee has been constituted by the Department of Information Technology (DIT). A set of guidelines have also been issued on 14.9.2007.

13. Promotion of Research & Development: Department of Information Technology has put in place the following Schemes:

Support International Patent Protection in Electronics & IT (SIP-EIT): Under this scheme SMEs and Technology Start-up units will be reimbursed costs incurred in filing international patentapplications in Electronics & ICT domain for their indigenous inventions to the extent of 50% of the actual cost incurred by the applicant on filing International Patent, subject to a maximum of Rs.15 lakhs per application.

Multiplier Grants Scheme: The objective of the scheme is to encourage industry to collaborate with premier Academic and Government R&D institutions for development of innovative and commercially viable products / packages. Under this scheme, the Government would provide grants up to the maximum of twice the amount invested by the industry / industry consortium / association towards the innovation at academic / R&D institution.